

***United States Court of Appeals
for the Second Circuit***



**APPELLEE'S REPLY
BRIEF**

75-7362

United States Court of Appeals

For the Second Circuit

PERMA RESEARCH & DEVELOPMENT COMPANY,

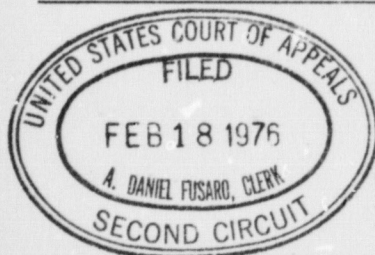
Plaintiff-Appellee,

v.

THE SINGER COMPANY,

Defendant-Appellant.

**REPLY OF PLAINTIFF-APPELLEE
TO BRIEF OF AMICUS CURIAE**



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United States Court of Appeals

For the Second Circuit

Docket No. 75-7362

PERMA RESEARCH & DEVELOPMENT COMPANY,
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v.

THE SINGER COMPANY,
Defendant-Appellant.

REPLY OF PLAINTIFF-APPELLEE TO BRIEF OF AMICUS CURIAE

Statement

Some three and one-half months after submission of the brief of the party whose position it supports, SCM Corporation has been granted leave to file a Brief as *Amicus Curiae*¹ in which, although urging that this appeal involves issues of law not addressed by either of the parties or by the District Court (SCM Br. 3),² what it argues is nothing

1. Despite the clear requirement of Fed.R.App. P. 29 that the brief of an *amicus* be filed "within the time allowed the party whose position as to affirmance or reversal the *amicus* brief will support," SCM's motion for permission to participate in this appeal was not filed until January 23, 1976, a day after the filing of Singer's *reply* brief.

2. References here to "SCM Br." denote the Brief of SCM Corporation as *Amicus Curiae* dated January 23, 1976. The main brief and reply brief of Defendant-Appellant The Singer Company are cited "S. Br." and "S. Rep. Br." respectively. The brief of Plaintiff-Appellee Perma Research & Development Co. is cited "P. Br."

more than its very own interpretation of the facts of this case. This brief is submitted in response thereto, pursuant to this Court's order dated February 3, 1976. In fact there are no significant issues of law on this appeal, and the *amicus curiae's* fanciful and lonely interpretation of the facts is not only at variance with the record but directed to an issue which is not in the case.

What the Issues Are

The total irrelevance of the arguments of the *amicus* can only be understood in the context of what the issues on this appeal in fact are, and the posture of this case in light of the "reframing" of the issues in Singer's Reply Brief.

1. The issues of fact below

The principal issues below were (1) whether the parties to the December, 1964, contract intended that Singer use its "best efforts" to perfect and market the Perma anti-skid device and (2) if so, whether the activities of the "inept and inexperienced" personnel Singer assigned to the project (Op. 22) satisfied that obligation. Singer, faced at the outset with the fact that the engineer to whom it assigned responsibility for the project was unable accurately to compute the relative area of one circle in relation to another (Op. 20-21, Tr. 5689-95), adopted a defense strategy of attempting to interpret its contractual obligation as narrowly as possible while defining what remained to be done as broadly as possible, in order to escape liability for the incompetence of its performance. Thus, before trial, Singer moved for summary judgment before Judge Mac-

Mahon, arguing (as it later contended at trial and in its main brief on this appeal) that it had only

“an obligation to use best efforts *to manufacture and market the Perma device as it then existed*, with such changes in manufacturing specifications as might be called for”³

Judge MacMahon, denying Singer's motion, held that “best efforts” in this context meant “that Singer was required to continue collaborating with Perma for a reasonable length of time in a good faith effort *to solve the problems then preventing marketing of the product*,” 308 F.Supp. at 748, emphasis added. Judge Duffy, after a trial in which the intent of the parties was exhaustively inquired into, adopted this definition *in haec verba* (Op. 19, 38-40).⁴ He went on to find that these problems were capable of solution (Op. 42, 44); that “[t]here are any number of reasonable things which Singer could have done to perfect the device without unreasonable cost or effort” (Op. 40); and that it did not do so (*ibid.*).⁵

3. S. Br. 21, emphasis added.

4. Although Singer now argues that this issue was not fully tried, S. Rep. Br. 6, it conceded at trial that the Court had “left this very question open for trial” (Tr. 2489). Even at this late stage, Singer has not suggested one iota of additional evidence it would offer that has not already been offered below on the issue of intent (*see* P. Br. 5, 51-52).

5. These specific findings make clear that the Court did *not* consider “Goor's program” necessary to perfect the device, as Singer pretends (S. Rep. Br. 2, 8). On the contrary, the Court's examples of the kinds of things that could have satisfied Singer's “best efforts” obligation are such simple alternatives as the hiring of “an engineer with experience in the automotive or brake field” (Op. 40). Singer's argument that “redesign” was necessary, and that its nonperformance should be excused because its obligation did not extend to redesign, rests *entirely* on the assumption that it was necessary to adopt Goor's program in order to bring the product to market (S. Rep. Br. 2, 7, 9-11, 13, 17). But Goor's program was not the standard adopted by

In its reply brief, Singer has concentrated its attack on the trial court's findings with respect to what actually remained to be done as of December, 1964, and in so doing states the scope of its obligation as follows:

"Both parties now agree that they intended Singer to do merely the engineering work necessary to convert workable prototypes to mass production. . . ."⁶

That is essentially the definition of the scope of Singer's obligation which Perma proved at trial was the intent of the parties; the only difference is that Singer regards the need for a fail-safe modification as redesign, while Perma proved, and the trial court found, that this problem was both within the contemplation of the parties and capable of

the District Court in measuring the adequacy of Singer's performance; Singer's performance was inadequate by any standard (Op. 29; see also 19-25). Contrary to Singer's statement that the Court, in finding the device marketable, "clearly referred to the Goor redesign program," S. Rep. Br. 2, 8, the opinion nowhere mentions it, and the Court's finding was based upon "all of the evidence" (Op. 44).

Furthermore, Goor's program did not in fact involve "redesign." Singer's insistent use of the word "redesign" to describe the engineering problems that remained to be solved before the device could be mass-produced is in fact nothing more than a play on words. In the face of the voluminous evidence summarized at P. Br. 20-24 showing that the remaining engineering problems did not require redesign, Singer cites the testimony of its engineer Romel in support of the proposition that the fail-safe problem was incapable of solution in the manner suggested by Perma (S. Rep. Br. 10n, citing Tr. 5207-08, 5799-5800). For Romel, this and other elementary engineering problems were indeed incapable of solution, not because they required redesign but because they required competence. (See P. Br. 25-27 and record references there cited.)

Singer's emphasis on its interpretation of Goor's program is thus nothing more than a straw man, which it knocks down ostentatiously to divert attention from its inability to attack the findings that the Court actually made. The fact that Goor, if he had been in charge of the project, might have done more than was necessary to satisfy the minimum obligation under the contract is irrelevant.

6. S. Rep. Br. 2; see also *id.* at 7, 14.

solution by nothing more than competent engineering work.⁷ Accordingly, we concur in Singer's conclusion that

*"... there is no longer any issue of fact as to the extent of Singer's implied best efforts obligation."*⁸

2. Issues remaining on this appeal

Since plaintiff and defendant agree on both the existence and the scope of Singer's "best efforts" obligation, the only issue remaining on this appeal is the correctness of the District Court's findings that that obligation could have been performed without unreasonable expense or effort, and that Singer utterly failed to do so.⁹ Singer, which does

7. P. Br. 21-22; Op. 37, 39-40, 42. See P. Br. 17, 18, 24, 32; Tr. 2480-81 (where Goor testified that the fail-safe feature on the Kelsey-Hayes device was a simple mechanism incorporated during the conversion from prototype to mass-produced hardware).

8. S. Rep. Br. 7, emphasis Singer's.

9. The briefs of the parties also discuss damages and certain evidentiary rulings, not addressed by the *amicus*. Most of Singer's Reply Brief is devoted to a restatement of the arguments in its main brief, without seriously attempting to distinguish the specific record references discussed in Perma's brief as supporting the District Court's findings, or the cases cited. Two instances in which Singer resorts to distortion to create the illusion of an issue where none exists must, however, be pointed out.

The first is Singer's argument that Goor's opinion on perfectibility rested *exclusively* on the computer simulations, so that a ruling against their admissibility would require reversal (S. Rep. Br. 26-27). Although Singer cites a number of pages of transcript for the proposition that "the computer simulations formed the basis for Goor's opinion" (*id.* at 27n), none of the testimony cited suggests the exclusive reliance which Singer's argument assumes, *e.g.* Tr. 2565 ("from our computer indications *and others*"); Tr. 2571 ("I have various reports that indicate different things"); Tr. 2816 ("indications I have . . . *including* . . . the computer run") (emphasis added throughout). Goor's testimony at Tr. 2524 and 2519-20 deals with how he would make use of computer simulations in his hypothetical development program and has nothing to do with the results of the actual simulation in this case, or the bases of his opinion on perfectibility. Goor's testimony as a whole reveals that, while the computer simulations did indeed provide important additional support for the conclu-

not challenge the Court's findings as to the ineptitude of its efforts to solve engineering problems which remained before the product could be mass-produced, contends that its failure should be excused on the ground that the prob-

sion that the device "could have been, if it wasn't at the time, which it could have been, made marketable" (Tr. 2476), his evaluation of the device's ability "to meet his functional or performance criteria" (S. Rep. Br. 27) was by no means limited to this single piece of evidence. For example, Goor's opinion on directional stability was based on "the data that I've examined plus the computer simulation" (Tr. 2477); his opinion concerning the ability of the system not to operate except when there was an impending skid situation was based on the mechanics of the device, specifically "the angle on the cam gear, the spring tension on the microswitch, and of course the gear ratios" (Tr. 2479), as was his opinion on the lack of adverse effect on other systems in the automobile (Tr. 2480). His opinion that fail-safety could have been achieved was based on the use of "an add-on device at Kelsey Hayes (Tr. 2480-81); see also, e.g., Tr. 2510 (computer simulations "confirm" opinion on marketability).

The second is Singer's attempt to resuscitate its "binding admissions" argument (S. Rep. Br. 4) by pretending that *Ira S. Bushey & Sons, Inc. v. W. E. Hedger & Co.*, 40 F.2d 417, 418 (2d Cir. 1930) (P. Br. 46) did not survive the adoption of Fed. R. Civ. P. 56. The cases cited by Singer do not, however, support either this contention or a reversal of Judge MacMahon's denial of summary judgment in this case. *American Renaissance Lines, Inc. v. Saxis S.S. Co.*, 502 F.2d 674, 679 (2d Cir. 1974), involved the grant of summary judgment in favor of a party whose election between two alternative theories removed what would otherwise have been a material issue of fact. Similarly, in *Lunsford v. Laird*, 441 F.2d 390 (2d Cir. 1971), the "admission" by counsel for the Army during appellate argument was not of its opponent's theory of the case but of a fact, unknown to the judge who had enjoined the appellee's discharge, which substantially improved the Army's own legal position upon remand. *Application of Peters*, 271 App. Div. 518, 67 N.Y.S.2d 305 (3d Dep't 1946), modified on other grounds, 296 N.Y. 974, 73 N.E.2d 560 (1947), is even more remote. That was a proceeding to fix the amount of an attorney's lien on a judgment against the State in favor of a defunct corporation. The receiver of the corporation filed an answer in which he denied execution of the retainer agreements upon information and belief, but later admitted that they were in fact executed, apparently after learning facts of which he had no personal knowledge at the time of his answer. Significantly, there was no evidence of non-execution, and the party's pleading was therefore held insufficient to raise a triable issue of fact.

lems were insoluble, because "redesign" was necessary.¹⁰ We have seen that the "redesign" issue is a red herring,¹¹ but to the extent that it is an issue at all it is an issue of the substantiality of the evidence to support the District Court's findings of fact. The evidence bearing on these findings is exhaustively reviewed in the briefs of the parties, P. Br. 7-28, S. Br. 29-31, S. Rep. Br. 7-13, and there is nothing in the brief of the *amicus* relevant thereto.

Rather, the crux of the *amicus* position, as more fully discussed below, is that the contract should not be construed as implying any "best efforts" obligation whatsoever. This issue, however, is not in the case. The most that the party bound by the obligation has ever disputed is its scope, not its existence.¹²

What the *amicus* is asking this Court to do, then, is to use this case as a vehicle for rendering an advisory opinion on a hypothetical issue in which the *amicus* perceives an interest. That issue is not a real "case or controversy"; it is academic speculation, and none of the specific arguments in the *amicus* brief afford any justification for it.

10. In addition to its need for a theory excusing its failure to make even the most rudimentary attempts to solve the remaining engineering problems, Singer is forced to argue that "redesign" was necessary in order to attack the District Court's award of damages, for its argument that damages are speculative is founded entirely on the assumption that the product was "unknown" or nonexistent at the time of Singer's breach, S. Rep. Br. 29-30.

11. See note 5, *supra*.

12. Indeed Singer, on its first motion for summary judgment before Judge Bryan, affirmatively argued the existence of an implied covenant to manufacture and market the device in response to Perma's claim that the contract lacked consideration—a position which the *amicus curiae* goes to great length to attempt to explain away, SCM Br. 5.

ARGUMENT

Nothing in the Amicus Brief Supports Reversal of the Judgment Below on Any Issue of Law or Fact.

At the outset—indeed from the Table of Contents of the *amicus* brief—it is apparent that the *amicus* does not understand what the Court below actually decided. Its first argument is that “The Court Below, as a Matter of Law, Should Not Have Imposed Additional Contract Terms and Conditions” (SCM Br. 4). In fact the Court did not “impose additional contract terms and conditions”; it interpreted the scope of a provision *both parties to the contract agree was part of the contract*. The entire argument of the *amicus*, then, rests on a misunderstanding of both the applicable law and the facts in evidence.

I

The District Court Correctly Applied the Teaching of *Wood v. Lucy, Lady Duff-Gordon* to the Facts of This Case.

SCM first argues (Point IA) that *as a matter of law*, a court can never enforce an implied “best efforts” obligation (no matter what the intent of the parties is conceded to be) unless the contract would otherwise fail for lack of consideration (SCM Br. 4-7). That is not the law.

The District Court found that Singer had an obligation “to perfect and market the device” (Op. 38) on the ground that “[t]hough the words of the contract do not spell out

this obligation, the circumstances leading to the signing of the contract mandate such an implied obligation," Op. 38-39, citing *Wood v. Lucy, Lady Duff-Gordon*, 222 N.Y. 88, 118 N.E. 214 (1917). In that famous case, Judge (as he then was) Cardozo held that the acceptance of an exclusive agency to market the licensor's designs and place her indorsements implied an obligation on the part of the agent to use "reasonable efforts to do so." Among the circumstances from which the Court found the intent of the parties were the exclusiveness of the agency, the terms of the compensation, and the fact that "[w]ithout an implied promise, the transaction cannot have such business 'efficacy as both parties must have intended that at all events it should have,' " 222 N.Y. at 91—i.e., that without such an implied promise there would be no consideration, and no contract.

The *amicus curiae* on this appeal advances the extraordinary argument that the *Duff-Gordon* case should be limited to its own facts—specifically, that "no obligation requiring best efforts to *exploit* the invention may be implied here because of the unquestioned existence of consideration." (SCM Br. 7, emphasis added).

SCM's use of the word "exploit" betrays its own lack of familiarity with the facts it seeks to interpret, because there has never been an issue whether the parties intended Singer to exploit the device. Rather, as discussed above, pp. 2-4, the most that has ever been in dispute has been whether the scope of Singer's "best efforts" obligation included reasonable efforts to solve the remaining engineering problems or was limited to manufacturing and marketing a device engineered exclusively by Perma. Even

that issue is now out of the case by virtue of Singer's acquiescence in Judge MacMahon's definition of "best efforts."

But even if the issue were the existence of the implied obligation, rather than its scope or Singer's performance, SCM's argument that it is precluded as a matter of law is without merit[†]

Wood v. Lucy, Lady Duff-Gordon, has never been limited to its facts in the way SCM advocates. Judge Cardozo himself made this clear as early as 1923, applying the doctrine in imposing a constructive trust upon a transfer of property, *Sinclair v. Purdy*, 235 N.Y. 245, 254, 139 N.E. 255 (1923). Subsequent New York cases have reflected a similarly unrestricted understanding of the doctrine, applying it in a number of situations where express consideration was clearly present, e.g., *Waterson, Berlin & Snyder Co. v. Irving Trust Co.*, 48 F.2d 704, 709 (2d Cir. 1931) (A. Hand, J.); *P.T. McDermott, Inc. v. Lawyer's Mortgage Co.*, 232 N.Y. 336, 344, 133 N.E. 909 (1922) (Pound, J.) (dictum); *Kaminsky v. Kahn*, 13 App. Div.2d 143, 213 N.Y.S.2d 786, 789 (1st Dep't 1961); *Daitch Crystal Dairies, Inc. v. Neisloss*, 16 Misc.2d 504, 185 N.Y.S.2d 188, 194 (S.Ct. Queens Co. 1959), *aff'd*, 8 App. Div.2d 965, 190 N.Y.S.2d 737 (2d Dep't 1959), *aff'd*, 8 N.Y.2d 723, 167 N.E.2d 643, 201 N.Y.S. 2d 101 (1960) (per curiam); *Reback v. Story Productions, Inc.*, 15 Misc.2d 81, 181 N.Y.S.2d 980, 982-83 (S.Ct. N.Y. Co. 1958), *aff'd without consideration of the point*, 9 App. Div.2d 880, 193 N.Y.S.2d 520 (1st Dep't 1959). Implied covenants have consistently been enforced where the circumstances of the particular case showed that to be the intent of the parties and specifically, implied covenants to

exploit patents have been enforced in contracts of assignment, despite the presence of other consideration, *e.g.*, *Willis Bros. Inc. v. Ocean Scallops, Inc.*, 356 F.Supp. 1151 (E.D.N.C. 1972); *Dwight & Lloyd Sintering Co. v. American Ore Reclamation Co.*, 44 F.Supp. 391 (S.D.N.Y. 1937).¹³

Even the cases cited by the *amicus* do not limit the teaching of *Wood v. Lucy* to the situation where consideration would be lacking without the implied covenant. In *HML Corp. v. General Foods Corp.*, 365 F.2d 77 (3d Cir. 1966) (SCM Br. 7), the Court held that a requirements contract did not, as a matter of law, imply a "best efforts" obligation on the buyer, and rejected the basis of the parol evidence rule, the seller's offer of proof of the buyer's oral assurances of intent to promote the product. No "implied covenant" was involved; rather, the seller attempted to vary the terms of a written instrument by proof of a different, oral undertaking.

American Sealcone Corp. v. Sylvan Seal Milk, Inc., 42 F.Supp. 480 (D.Pa. 1941) (SCM Br. 8), involved two contracts licensing the use of plaintiff's packaging machinery, the second of which included an express provision requiring the licensee to use the plaintiff's machines exclusively. Plaintiff urged upon the Court an interpretation of the first agreement as implying a similar covenant, which the Court rejected on the basis that the intent of the parties, as shown by all the facts and circumstances including the fact that they had agreed to an express provision in the second contract, was plainly to the contrary.

13. The doctrine has also been recognized *obiter*, without the kind of limitation advocated by the *amicus*, in cases whose particular facts were found not to support the breach of an implied covenant, *e.g.*, *Mechanical Ice Tray Corp. v. General Motors Corp.*, 144 F.2d 720 (2d Cir. 1944), *cert. denied*, 324 U.S. 844 (1945).

In each of the cases cited by the *amicus*, *Wood v. Lucy* was distinguished, not on the ground that its rule was inapplicable to contracts supported by express consideration, but on the ground that, on the facts of each case, the implied covenant advocated by one litigant was clearly not the intent of the parties. The inferences drawn by other courts from evidence of very different facts is, then, of no assistance in determining the intent of the parties to the Perma-Singer contract of December, 1964, concerning the scope of the obligation Singer was undertaking to get the product on the market. That intent can only be found in the circumstances of that contract—the terms of the contract itself and the contemporaneous words and conduct of the parties. The evidence relevant to the District Court's findings on this issue is discussed in detail in the briefs of the parties who participated in the trial,¹⁴ and nothing in the *amicus curiae's* labored attempts to draw different inferences from that evidence establishes that those findings were clearly erroneous.

There is, then, no basis for holding the District Court's findings on the intent of the parties erroneous as a matter of law. Since this is the only issue of law addressed by the *amicus*, its extravagant claims as to the supposedly deleterious commercial effects of the decision below must also be discounted. The *amicus*, however, presumes to address itself as well to issues of fact (SCM Br. Points IB-IE, II), to which we now turn.

14. P. Br. 32-47; see also S. Br. 21-27, where Singer marshalled the evidence it considered helpful to its contention that its obligation was "to use best efforts to manufacture and market the Perma device as it then existed, with such changes in manufacturing specifications as might be called for" (S. Br. 21), before revising that argument to encompass the conversion which Singer now concedes was contemplated (S. Rep. Br. 7, quoted above p. 4).

II

None of the Inferences Drawn by the Amicus from the Evidence Shows the District Court's Findings to Be Clearly Erroneous.

Still addressing its own fictitious issue rather than the real issues in the case, SCM devotes the balance of its brief to attempting to find *factual* support for its contention that the December, 1964, contract contained *no* implied covenant at all. The record is understandably lacking in support for this theory, since Singer, the party bound by the covenant, did not advance this argument at trial. The *amicus* therefore resorts to arguing—as it candidly admits¹⁵—that this Court should draw *inferences* different from those drawn by the District Court. Even if that were a proper function of a reviewing court,¹⁶ the inferences drawn by the *amicus* are neither reasonable nor credible.

A. Perma's Option to Repurchase Does Not Negate Singer's Obligation to Perfect.

SCM argues that Perma's express option to repurchase the patents under certain conditions negates any implied undertaking on Singer's part to use "best efforts" to do anything, while retaining Perma's patents until Perma bought them back (SCM Br. 8-10). We have already pointed out in our main brief how absurd is the suggestion

15. See, e.g., SCM Br. 12 ("[t]he consulting agreement is strong support for an inference opposite to the one Judge Duffy drew"); 13 ("that conclusion is contrary to common sense and ordinary commercial practice").

16. The drawing of inferences from the evidence is peculiarly the function of the trial court, *Allstate Ins. Co. v. Aetna Cas. & Sur. Co.*, 326 F.2d 871 (2d Cir. 1964), and the substitution of one inference for another is not a proper ground for reversal, *von Clemm v. Smith*, 363 F.2d 19, 23 (2d Cir.), *cert. denied*, 385 U.S. 975 (1966); *accord*, *Rosenfield v. Kay Jewelry Stores, Inc.*, 384 F.2d 98, 100 (10th Cir. 1967); *see also*, *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 123 (1969).

that the parties so intended when Perma's near-bankruptcy was the immediate cause of the assignment in the first place and the only way Perma could have raised enough money to exercise this right was from royalties earned on sales made by the defendant (*see* P. Br. 34-35). The answer to this argument is in any event succinctly stated in Judge MacMahon's opinion, in which he found that this provision, intended for Perma's benefit, did not deprive Perma of its alternative remedy for breach of contract: "An option to terminate is not an exclusive remedy, and a party is not obligated to exercise such an option but may stand on his rights."¹⁷

B. The Technical Services Contract Does Not Negate Singer's Obligation to Perfect.

Next, SCM draws from the contemporaneous Technical Services Contract "an inference opposite to the one Judge Duffy drew" (SCM Br. 12; *see* Op. 39, P. Br. 37-39), and tries to wring from this document as well a negation of the parties' intent that Singer use its best efforts to solve the remaining engineering problems before the device could be marketed (SCM Br. Point IC). To do this, SCM is required to recast Perma's assignment of its patents to Singer under the December contract as a "sale of a business" (*id.* at 11), which it certainly was not, and the Technical Services Contract as a form of disguised compensation to Frank Perrino "during a period when he is turning his attention to other endeavors" (*id.* at 12). Whatever the validity of the *amicus curiae's* interpretation of what generally happens "where a consulting agreement is made as part of a sale of a business" (*id.* at 11), it does not appear

17. 308 F.Supp. at 746. Singer does not complain of this ruling on appeal.

to have examined the evidence in this case before expatiating upon its broad theories. Not only was this neither a sale of a business nor a form of deferred compensation for Perrino, but Singer intended to

“[w]ork the Perma service contract to the fullest extent possible to obtain the full value of this expenditure. Under this agreement we are paying out \$9000. plus per month and we should make certain that we are getting \$9000. plus per month from Perma. This will in effect mean that we should keep them so busy that they never get a chance to come up for air and drift off into other projects which are not of our concern”¹⁸ and specifically told Perrino so.¹⁹

The evidence in the record that the parties contemplated real engineering work at the time the Technical Services Contract was executed is so strong that SCM's attempt to build a legal theory on a contrary assumption must fail. Apparently recognizing this, SCM adds weakly that “it does not follow that Singer had an *obligation* to do engineering work to ‘perfect’ the device (SCM Br. 11, emphasis in original). While it may not inexorably follow from *this fact alone*, Perma, of course, has never so contended, and neither of the two District Judges who considered the question relied solely on this fact. The scope of Singer's “best efforts” obligation included solution of the remaining engineering problems in converting a prototype to mass production, as Singer itself now concedes (S. Rep. Br. 2,7,12), because the record as a whole establishes that that was “the intention of the parties at the time of entering into the December Contract” (S. Rep. Br. 2; *see also* 308 F.Supp. at 748; P. Br. 32-52).

18. PX 62, p. 2, ¶10.

19. *Id.*, p. 1.

C. The Scope of Singer's Obligation to Perfect, as Correctly Defined by Judges MacMahon and Duffy, Is No Longer in Issue on This Appeal.

Characterizing Singer's "best efforts" obligation as "an open-ended undefined obligation" (SCM Br. 13), the *amicus* next argues that the scope of that obligation, as interpreted by the District Court, is "unrealistic in the extreme" (Point ID). The implied obligation here is, of course, neither "open-ended" nor "undefined." Judge MacMahon, emphasizing that "'best efforts,' like 'reasonable care,' is a term which necessarily takes its meaning from the circumstances," defined it in plain English:

"Set against the background of defects in both the quality and design of the product, which the parties had experienced over a six-month period while operating under the June 1964 contract, we think that 'best efforts' here means that Singer was required to continue collaborating with Perma for a *reasonable length of time* in a *good faith effort to solve the problems then preventing marketing of the product.*"

308 F.Supp. at 748, emphasis added. Judge Duffy agreed (Op. 40; *see also* 19-32).

As discussed above, pp. 2-4, Singer has now conceded that it did indeed have an obligation to make a reasonable effort to solve the problems then preventing marketing of the product (S. Rep. Br. 2, 7, quoted above, p. 4; *see also id.* at 14), thereby apparently mooting its appeal from Judge MacMahon's ruling, since it is difficult to perceive any distinction between his definition and the one in Singer's reply brief. Singer now argues only that Romel's Kobe Goldberg modifications of the Perma device should be deemed "reasonable" on the theory that the "problems

preventing marketing of the product" were insoluble;²⁰ it does not contend that this obligation is "open-ended" or "unrealistic." The parties here knew what "perfect" meant; they knew precisely what engineering problems remained to be solved before the product could be mass-produced for retail sale, and they set out to solve them.²¹ The fact that Singer's attempted solution consisted of assigning the project to "inept and inexperienced people who were unable to even understand the problems, much less cope with them" (Op. 22) is irrelevant to the scope of its obligation.²²

D. The "Entire Agreement" Clause Does Not Negate Singer's Obligation to Perfect.

The final subdivision of SCM's argument that the "best efforts" obligation which Singer breached should be read out of the contract as a matter of law is based on the "entire agreement" clause of the December contract (Point IE). The clause (PX60A, ¶18, quoted in SCM Br. 14) is a standard one negating the existence of collateral oral agreements *dehors* the contract and providing against oral amendment. The obligation which Singer breached, however, was neither collateral nor outside the contract. The

20. This argument is advanced for the first time in the reply brief.

21. Op. 18-19, 39-40; 308 F.Supp. at 749; P. Br. 11-14, 17-18, 20, 25-27.

22. SCM's claim that since "[t]he word 'perfect' is not a term of art" (SCM Br. 13n), Singer could not have had an obligation to "perfect" the device is one of those abstract arguments, advanced by a stranger unfamiliar with the facts, which provide such a cogent reason for limiting federal jurisdiction to "cases and controversies" arising out of real facts. How SCM's counsel might draft a "best efforts" clause in another situation certainly has no relevance to the intent of the parties here.

written agreement of December, 1964, was indeed the entire agreement between the parties, and, however imperfectly expressed, there was "clearly implied in the contract . . . the intention that Singer would use its best efforts to perfect and market the device" (Op. 38, emphasis added; see also 308 F.Supp. at 749-48 (MacMahon, J.)).

SCM's reliance on cases in which courts have refused to enforce oral understandings or promises *dehors* the contract²³ thus have no application here, where no collateral promises or oral assurances are involved.

The *amicus*, indeed, accepts the trial court's finding that Perrino did *not* expressly discuss perfection of the device with Singer representatives at the time of the December contract (SCM Br. 13, quoting Op. 38-39) and argues from hindsight that if it had been intended, it would have been discussed (*ibid.*). This abstract reasoning, based on the *amicus*' view of "common sense and ordinary commercial practice" (*ibid.*) without reference to the facts of this case, further illustrates the inutility of burdening ap-

23. (SCM Br. 15). *Fogelson v. Rackfay Constr. Co.*, 300 N.Y. 334, 90 N.E.2d 881 (1950), was an action by tenants to enforce a landlord's oral promise to provide free bus service; the making of the promise and the fact that the tenants had entered into leases in reliance thereon were not in dispute, but when the landlord discontinued the service the Court of Appeals of New York held that the tenants had no cause of action on the oral promise because of the *merger* (not the "entire agreement") clause of the written lease, 300 N.Y. at 340. In both *HML Corp. v. General Foods Corp.*, 365 F.2d 77, 79 (3d Cir. 1966), and *Vacuum Concrete Corp. v. American Machine & Foundry Co.*, 321 F.Supp. 771, 774 (S.D.N.Y. 1971), plaintiffs relied on oral assurances of the licensee's intent to promote the product given in the course of negotiations preceding the written contract. In the latter case, the plaintiff had actually demanded, and the licensee had refused to accept, the inclusion of an *express* "best efforts" clause, 321 F.Supp. at 774; thus, even if the parol evidence had been admitted, a clearer negation of an implied covenant can scarcely be imagined.

pellate courts with the imaginings of strangers to the transaction who apparently have not even read the entire record. The parties here did not discuss perfection in so many words because there was no need to; they had been discussing the engineering problems which remained to be solved for six months, and the whole *raison d'être* of the new contract was to solve them. In the real world, businessmen do not always spend time and energy restating the obvious in conveniently quotable remarks in order to make a record for anticipated future litigation. Rather Perma, having no reason to anticipate that Singer's ineptitude in solving the remaining engineering problems would later cause it to disclaim any obligation to do so, signed the contract drafted by Singer's counsel in the good faith belief that it accurately expressed the real intention of the parties.

In order to use the "entire agreement" clause as a tool for construing the December contract in a manner *contrary* to what the parties actually bargained for, SCM interprets that provision to require absolutely literal construction of the bare words of the instrument, no matter what violence such a construction may do to the actual intent of the parties. This approach was long ago rejected by Judge Cardozo in *Wood v. Lucy, Lady Duff-Gordon*, *supra*, 222 N.Y. at 91:

"The law has outgrown its primitive stage of formalism when the precise word was the sovereign talisman, and every slip was fatal."

The force of that reasoning is not weakened by the rhetorical question with which SCM concludes this argument, SCM Br. 15-16:

... how could anyone be reasonably confident that any form of words would be adequate to protect him from a charge that he breached some unexpressed but un-negated obligation?"

The answer is: by draftsmanship that relies not on the abstract concepts permeating the *amicus* brief but on language accurately reflecting the facts and circumstances of the particular case, *cf.* MacMahon, J., 308 F. Supp. at 748, quoted above, p. 16.

III

The Amicus Curiae's ad Hominem Attack on the District Court's "Understanding of the Commercial Context" Does Not Amount to a Showing That the Court's Findings Were Clearly Erroneous. Erroneous.

The final pages of SCM's brief are devoted to a panegyric on what it sees as "unreal", "unreasonable" and even "dream-world" characteristics of the District Court's opinion, culminating in a five-page discussion of the alternative inferences the *amicus* would draw from some of the evidence (SCM Br. 18-22) and the lament that the Court's findings "are sufficient to make a businessman despair that he will ever be able to communicate to a court the essential facts about the ambience in which he works." (*id.* 19).

The soundness of the District Court's Opinion and the overwhelming evidence in support of its findings are perhaps nowhere more clearly demonstrated than by the extent to which both the appellant and the *amicus* base their plea for reversal on the drawing of different inferences from the evidence. None of the *amicus curiae's* personal attacks on the District Court's business sophistication detract from the fact that the Court's findings as to the intent

of the parties were correct, and are supported by substantial evidence.

SCM's argument that the December contract should not be construed as imposing a "best-efforts" obligation on Singer because "the December contract was a good one for Perma" (Point IIA) is simplistic in the extreme. While Perma did indeed receive some of the benefits enumerated by the *amicus*,²⁴ it also bargained for an undertaking by Singer to collaborate for a reasonable time in a good faith effort to solve the problems then preventing the device from being marketed, and that is the undertaking which Singer breached. This Court cannot rewrite the agreement to deny Perma recovery for Singer's breach of the best efforts covenant simply because it may not have breached other provisions! The suggestion that the Court should do so because "Perma's conduct . . . is the more censurable" (SCM Br. 16) is no more than a renewal of the "fraud" defense which Singer advanced at trial but does not press on this appeal. The District Court found that that defense was "really a smoke screen to needlessly delay the resolution of this litigation and to harass the plaintiff and this Court" and "totally sham as a matter of fact." (Op. 37-38). So, we respectfully submit, are the *amicus curiae*'s efforts to resuscitate discredited factual theories which even the defendant has abandoned.

24. Again, SCM betrays its unfamiliarity with the facts by citing Singer's brief, rather than the underlying evidence, for its recital of the consideration Perma received (SCM Br. 17). Although Singer did pay Perma \$24,000 cash and assume some \$209,000 of Perma's liabilities, Perma was obligated to repay these advances, and more, out of initial sales, see PX 60A, ¶3(c), p. 5. The practical effect of these provisions, then, despite the nominal "up front" consideration, was that Perma was entirely dependent for its compensation on royalties from sales that were never made because of Singer's breach.

Conclusion

An *amicus curiae*'s novel interpretation of the facts, not advanced by any party, is at best entitled to very little weight on appeal, *Knetsch v. United States*, 364 U.S. 361, 370 (1960). Where, as here, the factual issue is the intent of the parties as manifested in their written contract and their contemporaneous words and conduct, the argument of a stranger that this intent was something different from what the party *bound by the implied covenant* merits was intended is not deserving of the Court's attention. This Court should not be imposed upon to go beyond the issues raised by the parties to consider artificial issues of fact raised by a stranger who is not even familiar with the facts of which he complains.

Despite the protracted history of this litigation and the voluminous record, the issues on this appeal are simple:

"1. Were the District Court's findings as to

- (a) Intent of the parties
- (b) The perfectibility of the Perma device
- (c) Damages

so lacking in evidentiary support as to be clearly erroneous?

"2. Were the District Court's evidentiary rulings of which appellant complains so erroneous as to amount to an abuse of discretion requiring reversal or remand?"

(P. Br. 1). Nothing in the brief of the *amicus curiae* supports an affirmative answer to either of those questions. The judgment below should be affirmed.

Dated: New York, N.Y.
February 18, 1976

Respectfully submitted,

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